



Annual Report
2003



Withub

SHANGHAI JIAODA WITHUB
INFORMATION INDUSTRIAL COMPANY LIMITED *

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



CONTENTS

2	Corporate profile
3	Corporate information
4	Highlights
5	Chairman's statement
7	Management discussion and analysis
12	Comparison of business objectives with actual business progress
15	Use of net proceeds from the issuing of the new shares
16	Biographical details of directors, supervisors and senior management
22	Report of the directors
31	Report of the supervisory committee
32	Auditors' report
33	Consolidated income statement
34	Consolidated balance sheet
35	Balance sheet
36	Consolidated statement of changes in equity
37	Consolidated cash flow statement
39	Notes to the financial statements
74	Five-Year financial summary
75	Notice of Annual General Meeting



上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*) is principally engaged in the development of business application solutions in the PRC. One of its founders is Shanghai Jiao Tong University, a renowned tertiary education institution in the PRC. The Group utilises the expertise and research capability of Shanghai Jiao Tong University in the information technology sector to develop its core technologies in business application solutions.

The Group's operations encompass the development and provision of business solutions on project basis, the development and sale of application system as off-the-shelf products and sale of distributed products, such as notebook computers and computer related products.

Leveraging on its well-qualified and experienced team of research and development staff as well as its relationship with and on-going technological support from Shanghai Jiao Tong University, the Group is well positioned to become a leading business application solutions developer in the PRC.

* *For identification purposes only*



CORPORATE INFORMATION

Executive Directors

Prof. Xu Xiaoming (*Chairman*)
Mr. Cheng Min
Mr. Chen Weifeng
Prof. Chen Jianbo
Mr. Yuan Tingliang
Mr. Hua Xin

Independent Non-executive Directors

Prof. Shao Shihuang
Prof. Gu Junzhong
Mr. Hu Shao-ming, *Herman, JP*

Supervisors

Ms. Yuan Cai Feng
Mr. Mo Zhenxi
Mr. Wang Qihua
Ms. Qin Yan
Mr. Yao Benqiang

Company Secretary

Mr. Hui Wing Sang, *Wilson AHKSA, AAIA, ACIS, ACS*

Audit Committee

Mr. Gu Junzhong
Mr. Shao Shihuang

Qualified Accountant

Mr. Hui Wing Sang, *Wilson AHKSA, AAIA, ACIS, ACS*

Legal Address

2nd Floor
Block 7, 471 Gui Ping Road
Shanghai
The PRC

Principal Place of Business in Hong Kong

41st Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Place of Business in the PRC

7th Floor, Withub Technology Building
336 Caoxi Bei Road, Shanghai
The PRC

Company Website

www.withub.com.cn

Compliance Officer

Mr. Hua Xin

Authorised Representatives

Mr. Chen Jianbo
Mr. Cheng Min

Principal Bankers

China Construction Bank
– Shanghai Branch No. 2

Shanghai Bank
– Jin Guo Branch

Auditors

BDO McCabe Lo & Company
Certified Public Accountants
8th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisers

As to Hong Kong law
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
AllBright Law Offices
25th Floor
Jin Mao Tower
88 Century Boulevard
Shanghai
The PRC

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Sponsor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Stock Code

8205

For the year ended 31 December 2003,

- turnover increased significantly for 67.8% to approximately RMB148,821,000 (2002: approximately RMB88,732,000);
- net profit attributable to shareholders was approximately RMB1,810,000 (2002 (restated): approximately RMB4,163,000), representing a decrease of 56.5% as compared with that of the previous year; and
- the Directors do not recommend the payment of any dividends for the year ended 31 December 2003.



CHAIRMAN'S STATEMENT

To All Shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company", together with its subsidiaries, collectively, the "Group"), I am pleased to present the financial report of the Company for the year ended 31 December 2003.

Results

For the year ended 31 December 2003, the Group recorded a turnover of approximately RMB148,821,000, representing an increase of 67.8% as compared with that of the previous year. Profit attributable to shareholders was approximately RMB1,810,000, which decreased by 56.5% when compared with that of the previous year.

Dividend

In order to reserve additional financial resources for future development of the Group, the Board has resolved not to recommend the payment of any dividends for the year ended 31 December 2003.

BUSINESS REVIEW AND OUTLOOK

The financial year under review has been a tough year for the Group's business operation and development. The business solutions development market was undergoing the unfavourable situation of intense competition and low return. The conservative spending pattern of customers intensified the competition in the industry. Some business solutions development service providers reduced their price substantially which further suppressed the profit margin of the Group. It directly affected the revenue and results of the Group.

During such a difficult time, all staff members of the Group were doing their utmost, resulting in the significant growth of the Group's turnover. However, the Group's profit attributable to shareholders recorded a decrease of 56.5%.

In 2003, the Group established an associate – Shanghai Jiaoda Science & Technology Park (Shangrao) Company Limited. We believe the strategy of setting up a science & technology park in Shang Rao would lower the research and development cost while enhancing the Group's capability in the long run.

To cope with the rapid market development, the Group intends to reset its future development strategies and put an emphasis on the development of software.

The Directors believe that there are enormous growth potentials in the information technology industry. The Directors are of the opinion that the Group, with its existing technology, well-qualified and experienced research and development team, as well as its relationship with and ongoing technological support from Shanghai Jiao Tong University, is set to enhance its competitiveness in the China information technology industry and capitalize on the growth potentials.



APPRECIATION

I would like to take this opportunity to express my sincere thanks to our valuable shareholders and customers, and to our committed staff for their contributions to the continual business growth of the Group. I am also grateful to the management of the Group for their efforts and contributions throughout the year.

By Order of the Board

Xu Xiaoming

Chairman

Shanghai, the PRC, 25 March 2004



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2003, shareholders' funds of the Group amounted to approximately RMB122,423,000 (2002 (restated): RMB120,613,000). Current assets amounted to approximately RMB131,577,000 (2002: RMB124,661,000), of which approximately RMB75,166,000 (2002: RMB58,779,000) were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB44,235,000 (2002: 29,937,000), which were mainly trade payable, accruals and short-term bank loan. The Group did not have any long-term debts.

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

During the year, the Group established an associated company – Shanghai Jiaoda Science & Technology Park (Shangrao) Company Limited. The Group invested RMB10,000,000 for 40% shareholdings of this associate. The Group had no capital commitments except for the capital investment.

Save as disclosed herein, the Group had no capital commitments and significant investments for the year ended 31 December 2003.

MATERIAL ACQUISITIONS/DISPOSALS

In December 2003, the Group sold all the Government Bonds it held. The Government Bonds were sold at RMB19,586,000 with an acquisition cost of RMB20,911,000. Save as disclosed herein, the Group had no material acquisitions/disposals for the year ended 31 December 2003.

SEGMENTAL INFORMATION

All of the Group's activities are conducted in the PRC and are divided into two business segments – namely Business Application Solutions and Sales of Distributed Products. Accordingly, analysis by business segments is provided.



EMPLOYEE INFORMATION

As at 31 December 2003, the Group had 242 full time employees (2002: 212), comprising 44 in management, finance and administration (2002: 43), 64 in research and development (2002: 46), 66 in application development and engineering (2002: 73), 16 in production (2002: 10), and 52 in sales and marketing (2002: 40). Also, the Group had 32 school staff (2002: 10 school staff).

The Group has not experienced any disruption of its normal business operations due to labour disputes or significant turnover of staff. The Directors consider that the Company has maintained a very good relationship with its staff.

Remuneration of employees for the year ended 31 December 2003 was RMB13,640,000 (2002: RMB9,693,000).

The Group's remuneration and bonus policies are basically determined by the qualification, experience and performance of individual employee.

CHARGES ON GROUP ASSETS

As at 31 December 2003, the Group pledged its fixed deposit on hands amounted to approximately RMB15,052,000 for the bill acceptance service provided by the banks.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section "Business objectives and future plans and prospects" of the prospectus issued by the Company on 25 July 2002 (the "Prospectus") and the announcement about the establishment of an associate – Shanghai Jiaoda Science & Technology Park (Shangrao) Company Limited dated 23 December 2003, the Directors do not have any future plans for material investments or capital assets.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2003, as the Group's sales and purchases were substantially denominated in Renminbi, the Directors consider that the potential foreign exchange exposure of the Group is minimal.

CONTINGENT LIABILITIES

As at 31 December 2003, the Group did not have any significant contingent liabilities.



BUSINESS REVIEW

Business solutions development

During the year, the Group attained remarkable achievements regarding the market development. The turnover recorded a 55.8% increase as compared with that of the previous year. The Group completed numerous system integration projects during the year and was highly recognized by the customers. In addition to the continual provision of quality services to the existing customers, the Group has successfully solicited new customers including several government related bodies in Shanghai City, such as Xuhui District Economic and Trade Commission and Radio Regulatory Commission. Furthermore, the Group started to be an outsourcing services provider.

Application software

The Group has embarked on the software development of respective sectors during the year, including the electronic government affair, electronic party affair, biotechnology industrial platform, radio regulatory information integration and website content management system. As the Group took time to develop the software, most of the software development projects were completed in the last quarter of the year. The Group has processed the applications of registration of partial new software. Among them, there was a major new application software called “Withub Content Management Software” (慧谷內容管理軟體) with a coverage of website content management, office automation, workflow management and information security.

Network and data security products

The research and development department of the Company has finished the verification of “Firewall research project” by the Ministry of Information Industry Innovation Fund. It illustrated that the development of the products advanced to another stage. Nevertheless, the progress of marketing and development of the network and data security products was behind the expected schedule and inevitably disrupted the prompt introduction of products.

Sales of distributed products

During the year, the sales of distributed products recorded a relatively large increase which was attributable to the agency contract entered into between the Group and Nanjing Sharp Electronics Company Limited for respective model of projectors during the year. The sales of the related products were outstanding among the others.



BUSINESS REVIEW (cont'd)

Internal management and marketing

The Group was accredited the ISO9001-2000 certification in September 2003. It demonstrated that the Group's corporate management was in line with the contemporary management practice. During the year, the Group pumped in resources in promotion. By way of dispatching press releases to media inside the PRC, arranging interviews with selected media in the industry and engaging in other opportunities of exposure, the Company endeavoured to enhance its image and reputation. The selected media were renowned in the PRC, namely 中國電腦、電腦世界、軟體世界、每周電腦報、解放日報、徐匯報 and 上海商報.

BUSINESS OUTLOOK

Business solutions development

The Group expects to continue its efforts in developing the business solutions development market in 2004 and strengthening its after-sales services, as well as initiating the business cooperation with world-class companies.

Application software

As the Group has completed numerous research and development of application software which satisfied the needs of respective industries, the Group will focus on the market development of such software in 2004. The Group is considering the cooperation with influential business partners of diversified markets in order to intensify the market penetration of the Group's products.

Network and data security products

Given the uncertainties in the market demand of network and data security products, the Group is evaluating its existing strategies for the related business in order to utilise the Group's resources in a more effective manner. Possible alternatives include the provision of agency services to foreign companies for the related products and the joint development programs.

Sales of distributed products

In respect of products with high market demand, the Group will strive for cooperating and signing agency contract with reputable technological product companies in the coming year. In the meantime, the Group would try to raise the gross profit of distributed products to minimize the effect of its comparatively low gross profit on the overall gross profit of the Group.



BUSINESS OUTLOOK *(cont'd)*

Advantages for Growth

2004 is a year of substantial growth for the Group. The Group will adopt a proactive and aggressive attitude in exploring new markets to accommodate the ever-changing market demand. It is aimed to maintain a close connection with media within and outside the PRC and enable the Group to keep abreast of the information and trends of the information technology industry, so as to formulate more focused promotion campaign and provide valuable references for the Group's sales and marketing strategy planning.

The Group is committed to developing a diversified range of new products. Leveraged on its strengthened sales personnel and expanded network, as well as its continual efforts in exploring new markets, the Group is adaptive to the ever-changing market demand. During the year under review, the Group was managed to maintain its steady business growth notwithstanding the economic blow to the Asian countries brought by SARS. With its proactive and aggressive expansion strategy, the management expects to maximize the returns to shareholders in the years ahead.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS



	Business objectives as at 31 December 2003	Actual progress of completion
Research and product development/enhancement		
<i>Software products</i>	Continue the preliminary development of Enterprise Resource Planning software	Development ceased
<i>Firewall</i>	Refine and maintain the network hacking techniques database	Development ceased
	Continue the research on anti-virus firewall technology	Research commenced
	Continue the development of new generation hacking monitor technology	Development in progress
	Continue to refine and improve network processor application	Refining in progress
	Continue development of new generation system security products based on network processor (firework, VPN)	Development ceased
	Commence development of firewall products with anti-virus capability	Development not commenced yet



Comparison of Business Objectives with Actual Business Progress (cont'd)

	Business objectives as at 31 December 2003	Actual progress of completion
<i>Witnet-Video products</i>	Continue the development of MPEG-IV video products	Development ceased
	Complete the development of low cost MPEG-II video products	Development completed
	Continue the development of Witnet-Video based business solutions to extend to multimedia technology solution for the power supply and public security	Development ceased
	Refine and improve storage capacity and functional capability for NetVCR	In progress
	Commence the development of low cost Netplayer decoding products	In progress
Production		
<i>Firewall</i>	Production of 300 100Mbps and 100 1,000Mbps firewall	No production due to unfavorable market situation
<i>Witnet-Video products</i>	Production of image servers (low cost 300 and multiway 100)	Production ceased according to the market demand
	Production of 200 NetVCR	Development in progress, no production
	Production of 200 Netplayer	Development in progress, no production
<i>Electromagnetic Interference device</i>	Complete assembly of 40 new generation electromagnetic interference device per month	Produced around 60 units per month



	Business objectives as at 31 December 2003	Actual progress of completion
	Expanding Geographical Coverage and Brand Building	
	<i>Sales & Marketing – geographical coverage and addition</i>	
	<i>Electromagnetic interference device</i>	Wuhan Completed
	<i>Railway Labour Wage Information Management System</i>	Wuhan Completed
	<i>Enterprise Information Management System</i>	Hubei Completed
	Sales network	
	<i>Firewall and Witnet Video products</i>	Sichuan Plan delayed
	<i>Representative office</i>	Wuhan Plan delayed
	<i>Marketing campaigns & promotions</i>	Continue advertising and exhibition campaign Despatched press releases to media the PRC and arranged interview with selected media
		Continue promotion for 1,000 Mbps firewall products No promotion due to change in marketing plan
		Continue promotion for Witnet-Video products No promotion due to change in marketing plan
		Commence marketing campaign for Witnet-Video products' application into distant learning education and medical practice No promotion due to change in marketing plan
		Continue promotion for computer hardware and related products distributed by the Group Performed promotional activities such as road show and exhibition in shopping malls
	<i>Training</i>	Organise and conduct inhouse training to sales and marketing staff Organised several internal trainings which strengthened the product knowledge and skills of marketing staff



USE OF NET PROCEEDS FROM THE ISSUING OF THE NEW SHARES

	Planned for the period from 1 July to 31 December 2003 <i>HK\$ million</i>	Actual fund utilised for the period from 1 July to 31 December 2003 <i>HK\$ million</i>	The percentage of net proceeds utilised <i>HK\$ million</i>
Research and development	2.1	1.2	57%
Product enhancement and upgrading	0.5	0.2	40%
Production facilities	1.5	0.3	20%
Sales and marketing	6.7	1.9	28%
Loan repayment	0	0	0.0%
Working capital	0	0	0.0%
Total	<u>10.8</u>	<u>3.6</u>	<u>33.0%</u>

The actual use of proceeds was lower than the estimation made in the Prospectus. Due to the fact that the progress of developing network and data security products was not up to the Group's expectation, the marketing expenses and production equipment related to this business were not fully spent in 2003. The Group is evaluating its existing strategies for the related business in order to utilise the Group's resources in a more effective manner. Proposals to be confirmed included the provision of agency services to foreign companies for the related products and the joint development programs.

The Group disposed its Government Bond on hands on 29 December 2003, by which HK\$3,800,000 of the proceeds from the listing was reversed to the unused proceeds.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



DIRECTORS

The Company has six executive Directors, and three independent non-executive Directors. Their details are set out below:

Executive Directors

Professor Xu Xiaoming (許曉鳴), aged 46, holds a Post Doctorate degree (博士後) and is the Professor and mentor for doctorate students (博士生導師). Professor Xu graduated from Shanghai Jiao Tong University and had participated in numerous state-level technologies research projects, the National High Technology Research and Development Program (project 863) and is also the project representative for the 國家自然科學基金 (State Natural Science Fund). Professor Xu was designated by the State as the first and second tier candidate for the 百千萬人才工程 (Many Talents Project), a project administered by the State to nurture future leaders in the field of science and technology in 1997. Professor Xu took up various positions in Shanghai Jiao Tong University, including the Commissioner of the Scientific Research Commission (科學處), Department Head of the Department of Automation (自動化系) and Assistant Dean of the College of Electronic Information (電子信息學院). Professor Xu is currently the Vice President of Shanghai Jiao Tong University, chairman of 交大企業管理中心 (Shanghai Jiaoda Enterprise Management Centre), director of 上海交大科技園有限公司 (Shanghai Jiaoda Science & Technology Park Limited), Shanghai JTU GoFly Technology Investment (Group) Co., Ltd., Shanghai JTU Education Development (Group) Co., Ltd., Jiaoda Onlly Company Limited, Jiaoda Nanyang Company Limited, 上海華鐘計算機軟件開發有限公司 (Shanghai Huachung Computer Software Development Company Limited), SJTU Software Investment Co., Ltd. and Simplex Computer Limited, Withub Technology Street Company Limited and 中國高科集團股份有限公司 (China Hi-tech Group Joint Stock Company Limited and independent director of 上海金陵股份有限公司 (Shanghai Jinling Joint Stock Company Limited). Professor Xu is one of the founders of the Company since its incorporation in May 1998 and is the Chairman of the Board. He is responsible for the overall business development, management and strategic planning of the Group. Professor Xu is a board representative for Jiaoda Industrial Group and Jiaoda Nanyang Company Limited.

Mr. Cheng Min (程敏), aged 53, holds a Bachelor degree and is a Senior Economist. Mr. Cheng joined the Company since its incorporation in May 1998 and is the Vice Chairman and responsible for the overall business planning of the Group. Since 1984, Mr. Cheng has acted as the 上海徐匯集體事業管理局副局長 (Deputy Director of Shanghai Xuhui Collective Business Management Office), 黨委書記 (General Manager and Party Secretary) of 上海徐匯區工業總公司 (Shanghai Xuhui District Industrial Company) and Chairman and Party Secretary of Shanghai Xin Xuhui (Group) Limited. Mr. Cheng is also the Chairman of 上海華勝電器成套有限公司 (Shanghai Hua Sheng Electrical Appliances Assembly Limited), 上海香海化妝品銷售有限公司 (Shanghai Xiang Hai Cosmetics Limited), 上海匯星電腦網絡工程有限公司 (Shanghai Hui Xing Computer Network Engineering Limited), 上海醫大綠源生物醫藥科技有限公司 (Shanghai Medical University Bio-pharmaceutical Technology Company Limited), a director of 上海交大國飛綠色能源有限公司 (Shanghai Jiaoda Go Fly Green Power Company Limited) and a director of 上海草津電機有限公司 (Shanghai Cao Jin Electrics Limited) and 上海交大科技園有限公司 (Shanghai Jiao Tong University Science and Technology Park Company Limited). Mr. Cheng is a board representative for Shanghai Xin Xuhui (Group) Limited.



DIRECTORS (cont'd)

Executive Directors (cont'd)

Mr. Chen Weifeng (陳偉豐), aged 52, holds a Master degree and is a Senior Engineer. Mr. Chen joined the Company at the end of 2000 and is the Vice Chairman of the Company responsible for the overall business planning and positioning. Since 1993, Mr. Chen has acted as 副所長 (Vice President) and senior engineer of the 信息產業部第23所 (23rd Institute of the Ministry of Information Industry). Mr. Chen is the General Manager of Shanghai Technology Investment Company and Chairman of 上海嘉定高科技園區 (Shanghai Jia Ding High-tech District), 上海科技同濟信息有限公司 (Shanghai Technology Tong Ji Information Company) and 上海科技會展有限公司 (Shanghai Technology Exhibition Company) respectively and vice chairman of 上海申騰信息技術有限公司 (Shanghai Shen Teng Information Technology Company) and 上海科技投資股份有限公司 (Shanghai Science & Technology Investment Company Limited). Mr. Chen is a board representative for Shanghai Technology Investment Company.

Professor Chen Jianbo (陳劍波), aged 39, holds a Doctorate degree, is a Professor and mentor for doctorate students. Professor Chen also holds a Master in Business Administration from 中歐工商管理學院 (Sino-European Institute of Business Administration). Professor Chen is one of the founders of the Company since its incorporation in May 1998. He is an executive Director of the Company. Professor Chen was engaged in numerous technological research projects both at state-level, Shanghai city as well as project 863. He has vast experience in the research and development of network and information security and data communication. Professor Chen commenced his teaching career at Shanghai Jiao Tong University after he graduated from Shanghai Jiao Tong University in 1987 and was assigned to establish the Company in 1998. He was the assistant to the 電子信息學院院長 (Dean of the College of Electronic Data and Information) and is at present the 信息安全工程學院副院長 (Vice Dean of the College of Data and Information Security Engineering) at Shanghai Jiao Tong University. Dr. Chen also acts as the General Manager and Party Secretary of 上海張江(集團)有限公司 (Shanghai Zhangjiang (Group) Co. Ltd.) and the Chairman of 川河集團有限公司 (Rivera (Holdings) Limited), Vice Chairman of Shanghai Ton Tron Information Technology Company Limited, executive director and General Manager of Jiaoda Withub Technology.

Mr. Yuan Tingliang (袁廷亮), aged 57, holds a Bachelor degree and is a Senior Engineer. Mr. Yuan joined the Company in May 1998 when it was incorporated and is an executive Director of the Company responsible for the direction and positioning of the overall business operations. Since 1982, Mr. Yuan has acted in various positions at Shanghai Jiao Tong University, including the 精密儀器系副系主任 (Assistant Supervisor of the Department of Precision Instrument) and the 電子信息學院 (Assistant Dean of the College of Electronic Information). Mr. Yuan has also been actively involved in the research and development in the technology field. Mr. Yuan is a board representative of Jiaoda Industrial Investment Management Group Limited.



DIRECTORS (cont'd)

Executive Directors (cont'd)

Mr. Hua Xin (華欣), aged 35, holds a Bachelor degree. Mr. Hua joined the Company at its incorporation in 1998 and is an executive Director of the Company. He has many years of experience in asset management and finance and is responsible for the overall planning of operations and finance of the Company. Since 1995, Mr. Hua has acted as 副科長 (Deputy Section Chief) of the 徐匯區財政局預算科 (Budgetary Section of Xuhui District Finance Office) and the general manager of Shanghai Hui Xin Investment Operation Company Limited. He is currently a director in 上海軌道交通明珠線發展有限公司 (Shanghai Railway Transport Pearl Route Development Company), 上海匯宇物業置換有限公司 (Shanghai Hui Yu Property Exchange Company) and 上海徐匯高科技產業發展有限公司 (Shanghai Xuhui High-tech Industrial Development Company). Mr. Hua is a board representative of Shanghai Hui Xin Investment Operation Company Limited.

Independent Non-executive Directors

Professor Shao Shihuang (邵世煌), aged 65, is an independent non-executive Director. Professor Shao is a professor as well as mentor for doctorate students (博士生導師) in Donghua University (東華大學). Professor Shao graduated from Nanjing Polytechnic Institute (南京工學院·現東南大學) in 1960 specialised in industrial electrical automation (工業企電氣自動化專業) and was a visiting scholar in the University of Maryland in the United States. Professor Shao is the 副理事長 (vice chairman) of 中國紡織工程學會 (Textile Engineer Society of the PRC) and 上海市微電腦應用學會 (Society of Micro-Computer Application of Shanghai). He has been awarded the 國家科技進步二等獎 (National Technology Advancement Second Tier Award), two 上海市教學改革二等獎 (Shanghai Municipal Education Reform Second Tier Award), 上海市科技進步三等獎 (Shanghai Municipal Technology Advancement Third Tier Award) and was accredited as 全國高等學校科技先進工作者 (National Tertiary Schools' Pioneer). Professor Shao was appointed by the Company in September 2001.

Professor Gu Junzhong (顧君忠), aged 54, is an independent non-executive Director. Professor Gu holds a Master degree and is a supervisor of 多媒體技術研究室 (the Multimedia Information Technology Research Centre) of 華東師範大學 (East China Normal University) 計算機科學技術系 (Department of Computer Science and Technology), 第二屆上海市信息化專家委員 (Member of the second IT Advisor Committee of Shanghai Municipal Government), 上海信息港專家委員會專家組成員 (expert group member of the Expert Committee of Shanghai Infoport). Professor Gu started teaching at 華東師範大學 (East China Normal University) since 1982 and became a professor since 1991 and a mentor for doctorate students since 1994. Professor Gu also acted several times as the guest researcher at the National Information Technology Research Centre (GMD) in Germany during the period from 1987 to 1997. He has published numerous thesis in publications and conferences both in the PRC and overseas, and has obtained various awards and recognitions in the PRC. Professor Gu was appointed by the Company in December 2001.



DIRECTORS (cont'd)

Independent Non-executive Directors (cont'd)

Mr. Herman Shao-ming HU (胡曉明), JP, BSc, FCIBSE, FHKIE, MBIM, MIEEE, CEng., aged 50, is an executive Director of Ryoden Development Limited, a listed company in Hong Kong, and an executive director of Ryoden (Holdings) Limited. In addition to Mr. Hu's extensive business experience in Hong Kong and Mainland China, he also serves a number of prominent duties, including; member of Chinese People's Political Consultative Conference, Shanghai; member of Economic Advisory Committee, HKSAR Government; member of Business Advisory Group, HKSAR Government; member of Hong Kong Sports Development Board and Hong Kong Employees Retraining Board. Mr. Hu is also a concurrent professor of Shanghai Jiao Tong University, Xian Jiaotong University and Hua Dong University of Science & Technology. Mr. Hu was appointed by the Company in December 2001 as an independent non-executive director.

SUPERVISORS

Ms. Yuan Cai Feng (袁彩鳳女士), aged 58, is the chairlady of the Company's supervisory committee responsible for the supervision of the overall business and financial activities of the Company. Ms. Yuan holds an undergraduate degree and is a registered auditor in the PRC. Ms. Yuan had worked in 上海市徐匯區財政局 (Shanghai Xuwei District Finance Department) and 上海市徐匯區審計局 (Shanghai Xuwei District Audit Department) since 1961 and is currently working in 上海天城會計師事務所有限公司 (Shanghai Tian Cheng Certified Public Accountants Co., Ltd.) as consultant. She was appointed by the Company on 23 September 2000.

Mr. Mo Zhenxi (莫振喜), aged 49, is a Supervisor of the Company responsible for the supervision of the Company's operation and financial activities. Mr. Mo holds a bachelor degree. Since 1979, he had held several positions including deputy-secretary in 上海汽車配件廠配覺支部 (Shanghai Motor Parts Distribution Department), 紀檢員 (a prosecutor) in 上海市紀委正科 (Shanghai Disciplinary Correction Section) and a department head in Shanghai Technology Investment Company. Mr. Mo was appointed by the Company on 23 April 1998.

Mr. Wang Qihua (王秋華), aged 36, is a Supervisor of the Company responsible for the supervision of the overall operation and financial activities in the Company. He holds a Bachelor degree and is an accountant. Since 1998, Mr. Wang had worked in several positions in Shanghai Jiao Tong University including the auditing department, property management committee as a financial controller, settlement department as a deputy executive and the disciplinary committee. He had also worked as a deputy commissioner in the 監察審計處 (Auditing Department). Mr. Wang was appointed by the Company on 23 April 1998.

Ms. Qin Yan (秦燕), aged 29, is the representative of the employees and is a Supervisor of the Company. Ms. Qin is the manager of the integration department of the Company responsible for network integration design and wiring design. She graduated with Bachelor degree in 上海華東工業大學 (Shanghai Hua Dong Polytechnical University) specialized in complex machinery and subsequently obtained a master degree specialised in measurement techniques and instruments. Ms. Qin was appointed by the Company on 23 September 2000.



SUPERVISORS (cont'd)

Mr. Yao Benqiang (姚本強), aged 51, is a Supervisor of the Company responsible for the supervision of financial activities. Mr. Yao has over 21 years of experience in financial accounting and auditing. Mr. Yao joined Shanghai Xin Xuhui in 1995 and became the financial controller in 1998. He was awarded 上海市財務總監業務培訓班證書 (the Certificate of Continuing Education of Shanghai Chief Financial Officer) and is the 徐匯區內部審計協會副理事長 (Vice chief counsel of Xuhui District Internal Audit Committee), 區會計學會理事 (council member of District Accountancy Committee) and 市成本研究會會員 (member of the City Costing Research Committee). Mr. Yao was appointed by the Company on 14 December 2001.

SENIOR MANAGEMENT

Mr. Wang Yiming (王亦鳴), aged 36, is a chief executive officer of the Company responsible for the planning and implementation of overall business operations as well as determining the positioning and direction for technological research and development. Mr. Wang graduated from the electronic information department of Shanghai Jiao Tong University with a bachelor degree in electronic and a Master in Business Administration degree from the management department. He has taught in Shanghai Jiao Tong University since 1989. Mr. Wang was involved in the establishment of the Company in 1998 and possesses knowledge and experience in the development and management of network security, electronic communications and modernisation of information infrastructure of government agencies. He is the chairman of Shanghai Huikang Information Technology Company Limited, Vice Chairman of Shanghai Jiaoda Withub Software Company Limited and Shanghai Withub Duogao Information Construction Company Limited, and executive director of Shanghai Jiaoda Withub Technology Street Company Limited. Mr. Wang was appointed by the Company in May 1998.

Mr. Jiang Shao Jian (蔣少劍), aged 42, is a Deputy Chief executive officer of the Company responsible for the planning and implementation of overall business operations. Mr. Jiang holds a Doctorate degree (Shanghai Jiao Tong University) and has over 9 years of experience in system development and project management. Mr. Jiang joined the Company in February 2003 and was promoted to the current position in March 2004.

Mr. Yu Xun (郁迅), aged 30, is a chief information officer of the Company and is a general manager of the Group's research and development centre mainly responsible for the overall strategic planning, implementation and management of technical developments in the Company. Mr. Yu graduated with a master degree specialised in communications and electronic system from the information department of Shanghai Jiao Tong University and is one of the main designers of the Company's firewall system, Witnet-Video series of products, 小區雙向CATV多功能智能化服務系統 (building management system). Mr. Yu possesses knowledge in network and information security and electronic communications. He was formally appointed by the Company in March 1999.



SENIOR MANAGEMENT (cont'd)

Mr. Li Yonghua (李勇華), aged 41, is a chief operation officer of the Company mainly responsible for the strategic development, implementation and sales of system integration and software products of the Company. Mr. Li graduated from Wah Tong Polytechnical University specialised in inorganic materials science and engineering. Since 1990, Mr. Li had worked in various positions including 上海三環工程成套聯營公司 (Shanghai San Huan Engineering Company) as a technical section chief and 上海機械工程成套總公司 (Shanghai Mechanical Engineering Company) as a Deputy Manager in the engineering department. He possesses knowledge in project management and implementation. Mr. Li was formally appointed by the Company in June 1999.

Mr. Yang Yu Hui (楊宇輝), aged 43, is a chief marketing officer of the Company responsible for marketing planning and implementation of the Company's marketing plan. Mr. Yang graduated from Shanghai Jiao Tong University with a bachelor degree and a master degree. Mr. Yang has over 10 years of experience in development and marketing of information technology products. Mr. Yang was appointed by the Company in October 2002.

Mr. Wang Decai (王德才), aged 43, is a general manager of Shanghai Jiaoda Withub Software Company Limited. Since 1980, Mr. Wang had worked in various positions including 上海市糖業煙酒公司 (Shanghai Sweets, Tobacco and Alcohol Industry Company) as a financial section officer, 上海嘉士德華海集團 (Shanghai Jia Shi De-Hua Hai Group) as a manager in the finance department and 上海中創靜安商業發展總公司 (Shanghai Chun Chon Ching On Business Development Head Office) as a manager in the finance department. Mr. Wang possesses knowledge in financial operation and business management. He was appointed by the Company in May 1998.

Mr. Li Jinhua (李金華), aged 46, is a general manager of Shanghai Huikang Information Technology Company Limited mainly responsible for development and sales of the electromagnetic interference device developed by the Company. Between 1980 and 2000, Mr. Li worked in 上海市委辦公廳 (Shanghai Provincial Office). He was appointed by the Group in January 2001.

Mr. Hui Wing Sang, Wilson (許永生) AHKSA, AAIA, ACIS, ACS, aged 36, is the company secretary and the qualified accountant of the Company. Mr. Hui holds a MBA degree (University of Surrey, UK), a Master degree of Arts, (City University of Hong Kong) and a Bachelor degree (University of Hertfordshire, UK). Mr. Hui worked for several listed companies in Hong Kong and had more than 10 years accounting and finance experience. Mr. Hui was appointed by the Company in February 2002.



The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and provision of business application solutions which include business solutions, application software, network and data security products and is also engaged in the sale of distributed products.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's sales to the five largest customers accounted for 33.8% of the Group's turnover for the year, of which the largest customer accounted for 10.1% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	33.9%
Total percentage of the five largest suppliers:	59.3%

Save as disclosed above, as far as the Directors are aware, neither the Directors or their associates nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued capital) and management shareholders had any material interest in the five largest customers and five largest suppliers.

RESULTS

The Group's results and financial position for the year ended 31 December 2003 are set out in the annual report on pages 33 to 73.

DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2003.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2003 is set out on page 74 of the annual report.

PLANT AND EQUIPMENT

Details of the movements in the plant and equipment of the Group and of the Company during the year are set out in note 13 to the financial statements.



SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme by a resolution of all shareholders of the Company on 7 July 2002. The Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The maximum number of H shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30 per cent. of the H shares in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 13,200,000 H shares, being 10 per cent. of issued H shares. The total number of H shares issued and which may fall to be issued upon exercise of the options granted or to be granted under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period up to the date of grant shall not exceed one per cent. of the H shares in issue for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such grantee and his associates abstaining from voting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. No eligible participants who are PRC nationals and have taken up any options to subscribe for H shares shall be entitled to exercise any such options until the current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H shares or any laws or regulations with similar effects (the "H Shares Restrictions") have been abolished or removed. Options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of offer for the grant of the option subject to the provisions for early termination thereof. The subscription price for H shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (aa) the closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (bb) the average closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (cc) the nominal value of the H shares.

During the period from 1 January 2003 to 31 December 2003, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 December 2003, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.



RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 26 to the financial statements.

RETIREMENT BENEFITS

Details of the retirement benefit schemes of the Group are set out in note 28 to the financial statements.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive directors

Professor Xu Xiaoming (許曉鳴)

Mr. Cheng Min (程敏)

Mr. Chen Weifeng (陳偉豐)

Professor Chen Jianbo (陳劍波)

Mr. Yuan Tingliang (袁廷亮)

Mr. Hua Xin (華欣)

Independent Non-executive Directors

Professor Shao Shihuang (邵世煌)

Professor Gu Junzhong (顧君忠)

Mr. Herman Shao-ming Hu (胡曉明)

Supervisors (the "Supervisor", members of the supervisory committee of the Company)

Ms. Yuan Cai Feng (袁彩鳳)

Mr. Mo Zhenxi (莫振喜)

Mr. Wang Qiuhua (王秋華)

Ms. Qin Yan (秦燕)

Mr. Yao Benqiang (姚本強)

According to the provisions of the Articles of Association of the Company, all the directors are subject to re-election at a general meeting upon the expiration of their service contracts.



DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors and the Supervisors has entered into a service agreement with the Company on 7 July 2002. Each service contract is for an initial term of three years commencing from 7 July 2002.

Except Prof. Chen Jianbo, each of the executive Directors and the Supervisors is not entitled to any salary or other remuneration and/or benefits under such service agreement.

The Company did not enter into any service contract with its non-executive Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 16 to 21 of the Annual Report.

DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Details of the directors' remuneration and that of the highest paid employees are set out in note 8 to the financial statements.



DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 2003, the interests and short positions of the Directors, supervisors or chief executives of the Company in the shares, debentures or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage in the issued share capital of the Company/ associated corporation
Director				
Xu Xiaoming	The Company	Beneficial owner	7,300,000 domestic shares (L)	1.52%
Cheng Min	The Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Chen Jianbo	The Company	Beneficial owner	24,300,000 domestic shares (L)	5.06%
	Shanghai Jiaoda Withub Ton Yong Technology Company Limited (Note 2)	Beneficial owner	500,000 shares (L)	5.00%
Chief Executive				
Wang Yiming	The Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited (Note 3)	Beneficial owner	100,000 shares (L)	10.00%



DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES (cont'd)

Notes:

1. The letter "L" represents the interests in the share and underlying shares of the Company or its associated corporations.
2. Shanghai Jiaoda Withub Ton Yong Technology Company Limited is a subsidiary of Shanghai Jiaoda Withub Technology Company Limited, an associated company of the Company.
3. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. Substantial shareholders

As at 31 December 2003, the following shareholders had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares (Note 1)	Percentage of entity's interest (Approximate)
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 2)	114,000,000 (L)	23.75%
Shanghai Jiaoda Nanyang Co. Ltd.	Beneficial owner	85,500,000 (L)	17.81%
Shanghai Xin Xuhui (Group) Limited	Beneficial owner	60,000,000 (L)	12.50%
Xuhui District Industrial Association	Interest of a controlled corporation (Note 3)	60,000,000 (L)	12.50%
Shanghai Huixin Investment Operation Company Limited	Beneficial owner	57,000,000 (L)	11.88%
Shanghai Technology Investment Co.	Beneficial owner	57,000,000 (L)	11.88%



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY (cont'd)

A. Substantial shareholders (cont'd)

Notes:

1. The letter "L" represents the entity's interest in the shares of the Company.
2. These 114,000,000 Domestic Shares are respectively registered and owned as to 28,500,000 Domestic Shares by Shanghai Jiaoda Industrial Investment Management (Group) Limited, the registered capital of which is owned as to 96.735% by Shanghai Jiao Tong University and as to 3.265% by Shanghai Jiaoda Enterprise Management Centre, an entity wholly-owned by Shanghai Jiao Tong University, and as to remaining 85,500,000 Domestic Shares by Shanghai Jiaoda Nanyang Company Limited, the Shares in issue of which are owned as to approximately 43.7% by Shanghai Jiao Tong University. Shanghai Jiao Tong University is deemed to be interested in the aggregate of 114,000,000 Domestic Shares held by Shanghai Jiaoda Industrial Investment Management (Group) Limited and Shanghai Jiaoda Nanyang Company Limited under the SFO.
3. These 60,000,000 Domestic Shares are registered and owned by Shanghai Xin Xuhui (Group) Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 Domestic Shares held by Shanghai Xin Xuhui (Group) Limited under the SFO.

B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO:

As at 31 December 2003, save for the persons/entities disclosed in sub-section A above, the following person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares (Note 1)	Percentage of entity's interest (Approximate)
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Beneficial owner	28,500,000 (L)	5.94%
Chen Jianbo	Beneficial owner	24,300,000 (L)	5.06%

Note: The letter "L" represents the entity's interest in the shares of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 31 December 2003 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 20 December 2002 entered into between the Company and Guotai Junan, Guotai Junan has received and will receive a fee for acting as the Company's retained sponsor for the period from 1 January 2003 to 31 December 2004.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 31 to the financial statements.

In accordance with the conditions agreed with the Stock Exchange with respect to certain connected transactions, the independent non-executive directors have reviewed the connected transactions. In their opinion, except for item (e) as set out in note 31(ii) to the financial statements.

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;
- (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) within the relevant cap amounts as agreed with the Stock Exchange.

According to the GEM Listing Rule 20.52(2), item (e) is exempt from reporting, announcement and independent shareholders' approval requirements.

AUDIT COMMITTEE

The Company established an audit committee on 7 July 2002 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprises the two independent non-executive directors, Professor Shao Shihuang and Professor Gu Junzhong.



AUDIT COMMITTEE (cont'd)

The Company's financial statements for the year ended 31 December 2003 have been reviewed by the audit committee, who recommended such statements to the Board. The audit committee has also reviewed and confirmed the connected transactions undertaken by the Company during the year ended 31 December 2003. The financial reporting process and internal control of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being. During the year, the audit committee has held four formal meetings.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period up to 31 December 2003.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the period covered by this interim results and thereafter.

AUDITORS

The incumbent auditors, BDO International, are now practising under the name of BDO McCabe Lo & Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo & Company and BDO Shanghai Zhonghua Certified Public Accountants as international and domestic auditors of the Company respectively.

On behalf of the Board

Xu Xiaoming

Chairman

Shanghai, the PRC, 25 March 2004



REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

Shanghai Jiada Withub Information Industrial Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2003, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principles of honesty and trustworthiness and worked cautiously and diligently.

During the year we carefully reviewed the use of the proceeds raised in strict compliance with the plan of use of proceeds disclosed in the prospectus of the Company dated 25 July 2002 for the listing of the Company's H shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. We provided reasonable suggestions and advice on the operations and development plans to the board and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association of the Company or safeguarded the interests of shareholders.

After investigation, we consider that the financial statements of the Group and of the Company, audited by BDO McCabe Lo & Company, truly and sufficiently reflect the operating results of the Group and asset positions of the Group and of the Company. We also reviewed the Report of the Directors and profit distribution proposal. We consider that the aforesaid report and proposal meet the requirements of the relevant regulations and articles of the Company. We have attended the meeting of the Board. We consider that the members of the Board, the general manager and other officers have strictly complied with the principles of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Group. None of the Directors, general manager and the officers have abused their authorities, caused damage to the interests of the Group and infringed upon the interests of the Group and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained in 2003 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

Yuan Cai Feng

Chairman of the Supervisory Committee

Shanghai, the PRC, 25 March 2004



BDO McCabe Lo & Company
Certified Public Accountants
8th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Telefax: (852) 2815 0002

德豪嘉信會計師事務所
執業會計師
香港干諾道中一百一十一號
永安中心八樓
電話:(八五二)二五四一五〇四一
傳真:(八五二)二八一五〇〇〇二

TO THE SHAREHOLDERS OF

上海交大慧谷信息產業股份有限公司

SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED*

(incorporated in the People's Republic of China with limited liability)

We have audited the financial statements on pages 33 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO McCabe Lo & Company

Certified Public Accountants

Hong Kong, 25 March 2004

* *For identification purpose only*



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

		2003	2002
			<i>restated</i>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4	148,821	88,732
Cost of sales		(127,223)	(64,606)
Gross profit		21,598	24,126
Other revenue	6	10,757	3,791
Distribution expenses		(4,040)	(3,800)
Research and development expenses		(1,974)	(5,120)
Administration expenses		(24,018)	(13,178)
Profit from operations	7	2,323	5,819
Finance costs	9	(181)	(262)
Share of profits less losses of associates		(851)	(93)
Profit before taxation		1,291	5,464
Taxation	10	142	(783)
Profit after taxation		1,433	4,681
Minority interests		377	(518)
Profit attributable to shareholders	11	1,810	4,163
Dividends		–	–
Earnings per share (in RMB)	12		
– Basic		0.0038	0.0101
– Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2003



		2003	2002
	Notes	RMB'000	restated RMB'000
Non-current assets			
Plant and equipment	13	2,898	2,750
Interests in associates	15	27,176	18,201
Intangible asset	16	4,350	4,650
Goodwill	17	80	126
Other non-current asset	18	150	150
Deferred tax assets	24	656	618
		35,310	26,495
Current assets			
Inventories	19	11,793	12,752
Other investments	20	1,500	22,403
Trade debtors	21	29,480	22,325
Deposits, prepayments and other debtors		13,018	6,493
Amounts due from related parties	31	390	1,629
Amounts due from associates	31	230	280
Cash and bank balances	30	75,166	58,779
		131,577	124,661
Current liabilities			
Bank loan		3,000	3,000
Trade creditors and bills payable	23	18,385	9,579
Other creditors and accrued expenses		20,919	15,375
Amount due to an associate	31	795	–
Income taxes payable		1,136	1,983
		44,235	29,937
Net current assets		87,342	94,724
Total assets less liabilities		122,652	121,219
Minority interests		(229)	(606)
Net assets		122,423	120,613
Capital and reserves			
Share capital	25	48,000	48,000
Reserves	26	74,423	72,613
		122,423	120,613

On behalf of the Board

Xu Xiaoming
Director

Chen Jianbo
Director

The accompanying notes form an integral part of these financial statements.



BALANCE SHEET

As at 31 December 2003

		2003	2002
	<i>Notes</i>	<i>RMB'000</i>	<i>restated RMB'000</i>
Non-current assets			
Plant and equipment	13	2,179	2,014
Investments in subsidiaries	14	5,500	5,500
Interests in associates	15	30,313	20,313
Intangible asset	16	4,350	4,650
Other non-current asset	18	150	150
Deferred tax assets	24	656	618
		43,148	33,245
Current assets			
Inventories	19	8,497	10,954
Other investments	20	1,500	22,403
Trade debtors	21	27,166	19,286
Deposits, prepayments and other debtors		8,890	5,706
Amount due from a subsidiary	22	600	600
Amounts due from related parties	31	390	1,629
Amounts due from associates	31	230	280
Cash and bank balances	30	71,227	56,043
		118,500	116,901
Current liabilities			
Trade creditors and bills payable	23	17,443	9,100
Other creditors and accrued expenses		11,283	12,300
Amounts due to subsidiaries	22	1,676	2,205
Amount due to an associate	31	795	–
Income taxes payable		1,136	1,907
		32,333	25,512
Net current assets		86,167	91,389
Net assets		129,315	124,634
Capital and reserves			
Share capital	25	48,000	48,000
Reserves	26	81,315	76,634
		129,315	124,634

On behalf of the Board

Xu Xiaoming
Director

Chen Jianbo
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003



2003	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 31 December 2002						
– as previously reported	48,000	61,068	16,000	19	(5,092)	119,995
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	–	618	618
– as restated	48,000	61,068	16,000	19	(4,474)*	120,613
Net profit for the year	–	–	–	–	1,810	1,810
Appropriations	–	–	–	204	(204)	–
At 31 December 2003	48,000	61,068	16,000	223	(2,868)*	122,423

* Included in the Group's retained profits/(accumulated losses) is an accumulated profits of RMB54,000 (2002: RMB16,000) which is non-distributable. Details are set out in note 14.

2002

At 31 December 2001						
– as previously reported	36,000	2,300	8,896	–	(9,079)	38,117
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	–	461	461
– as restated	36,000	2,300	8,896	–	(8,618)	38,578
Issuance of overseas public shares (H shares)	12,000	72,000	–	–	–	84,000
Expenses incurred on issue of shares	–	(13,232)	–	–	–	(13,232)
Recognition of unrealised gain on consolidation	–	–	7,104	–	–	7,104
Net profit for the year						
– as previously reported	–	–	–	–	4,006	4,006
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	–	157	157
Net profit for the year, as restated	–	–	–	–	4,163	4,163
Appropriations	–	–	–	19	(19)	–
At 31 December 2002	48,000	61,068	16,000	19	(4,474)	120,613

The accompanying notes form an integral part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	2003	2002
	<i>RMB'000</i>	<i>restated RMB'000</i>
<i>Note</i>		
Cash flow from operating activities		
Profit before tax	1,291	5,464
Adjustments for:		
Depreciation	1,006	725
Interest income	(1,055)	(266)
Interest expenses	181	262
(Gain)/loss on disposal of plant and equipment	(4)	15
Amortisation of goodwill	46	46
Amortisation of intangible asset	300	300
Dividends from unlisted securities	(29)	(109)
Net realised loss/(gain) on disposal of other investments	1,317	(371)
Net unrealised holding loss on other investments	–	28
Share of profits less losses from associates	851	93
Operating profit before working capital changes	3,904	6,187
Decrease/(increase) in inventories	959	(6,803)
Increase in trade debtors	(7,155)	(16,275)
Increase in deposits, prepayments and other debtors	(6,525)	(132)
Decrease in amounts due from related parties	1,239	515
Decrease/(increase) in amounts due from associates	50	(38)
Increase in trade creditors and bills payable	8,806	6,115
Increase in other creditors and accrued expenses	5,544	4,709
Increase in amounts due to an associate	795	–
Cash generated from/(used in) operations	7,617	(5,722)
Interest received	1,055	266
Income taxes paid	(717)	(31)
Income taxes refunded	–	33
Net cash generated from/(used in) operating activities	7,955	(5,454)

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement (cont'd)
For the year ended 31 December 2003



	2003	2002
Note	<i>RMB'000</i>	<i>restated</i> <i>RMB'000</i>
Cash flows from investing activities		
Payment for purchase of plant and equipment	(1,370)	(966)
Proceeds from sale of plant and equipment	220	–
Payment for establishment of an associate	(10,000)	(3,200)
Net cash inflow from establishment of a subsidiary	–	1,000
Payment for purchase of other investments	–	(23,390)
Proceeds from sale of other investments	19,586	3,292
Increase in pledged time deposit	(15,052)	–
Dividends received from associates	148	61
Dividends received from other investments	29	109
Net cash used in investing activities	(6,439)	(23,094)
Cash flows from financing activities		
Interest paid	(181)	(262)
Net proceeds from issuance of shares	–	70,768
Repayment of loans	–	(1,000)
Net cash (used in)/generated from financing activities	(181)	69,506
Net increase in cash and cash equivalents	1,335	40,958
Cash and cash equivalents at beginning of year	58,779	17,821
Cash and cash equivalents at end of year	60,114	58,779
	27	

The accompanying notes form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. GENERAL

Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") was incorporated on 4 May 1998 as a joint stock limited liability company in Shanghai, the People's Republic of China (the "PRC"). The Company was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 31 July 2002 by the placing of 132,000,000 overseas listed foreign shares ("H shares") of RMB0.10 each at HK\$0.66 per H share. The placing of 132,000,000 H shares included 120,000,000 new H shares and 12,000,000 H shares converted from domestic shares of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the development and provision of business application solutions in the PRC which include business solutions, application software, network and data security products and are also engaged in the distribution of computer products and accessories.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared under the historical cost convention except for investments in securities which are measured at fair values.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

The Company's interests in subsidiaries are stated at cost less impairment loss, if any. All significant intercompany transactions and balances among group companies are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) Goodwill

Goodwill arising on acquisition of interest in a subsidiary or an associate represents the excess of the purchase consideration over the fair value of the Group's share of the identifiable assets of subsidiaries/associates at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and any impairment losses. Goodwill is amortised on a straight-line basis to the income statement over its estimated useful economic life which is estimated not to exceed 20 years.

On disposal of an investment in subsidiary/associate during the year, any attributable amount of purchased goodwill not previously amortised to the income statement is included in the calculation of the profit or loss on disposal.

(c) Associates

An associate is an enterprise, not being a subsidiary, in which the Company has significant influence. Significant influence exists when the Company has the power to participate in, but not control, the financial and operating decisions of the associate.

Investments in associates are accounted for in the consolidated financial statements under the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investees. The consolidated income statement reflects the Group's share of the results of operation of the investees.

In the Company's balance sheet, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Unrealised profit and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in the income statement.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Revenue recognition

Revenue from provision of business solutions development, application software and network and data security products are recognised when delivery or acceptance has occurred, the fee is fixed and determinable, evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain.

Sales of distributed products are recognised when goods are delivered and title has passed.

Gain or loss on disposal of listed securities is recognised on a trade-date basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from subsidiaries, associates and other investments is recognised when the right to receive dividend is established.

(e) Income tax

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is recognised in the income statement except when it relates to an item directly recognised to equity in which case the tax is also directly recognised in equity.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Employee benefits

(i) Defined contribution retirement plan

The Group maintains defined contribution retirement plans, which are state sponsored retirement plans, for all of its employees. Obligations for contribution under such defined contribution retirement plans are recognised as an expense in the income statement as incurred.

(ii) Equity compensation benefits

When the Group grants employees options to acquire shares of the Company and the option exercise price equals the market price of the underlying shares at the date of the grant, no employee benefit cost or obligation is recognised at the date of grant.

(iii) Other employee entitlements

Employee entitlements to annual leave and other leaves are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and other leaves as a result of services rendered by employees up to the balance sheet date.

(g) Research and development costs

Research costs are recognised as an expense in the period in which they are incurred.

Expenditure on development is charged to the income statement in the period in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are capitalised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation.

(h) Intangible assets

Intangible assets are measured initially at cost. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives which are estimated not to exceed 20 years.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(i) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

When an asset is sold or retired, its cost, accumulated depreciation and impairment losses are eliminated and any gain or loss resulting from its disposal is included in the income statement.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following annual rates:

Leasehold improvements	The shorter of the lease terms or 33 $\frac{1}{3}$ %
Furniture and office equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

(j) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities which are held for an identified long-term strategic purpose are measured at subsequent reporting dates at cost, as reduced by any impairment losses that are other than temporary.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Investments in securities (cont'd)

Securities not classified as investment securities or held-to-maturity securities are classified as other investments. Other investments are measured at fair value at subsequent reporting dates, with unrealised gains and losses accounted for in the income statement for the year. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, which comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Foreign currencies

Foreign currency transactions during the year are translated into Renminbi ("RMB") at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the market rates of exchange ruling at that date. All exchange differences are dealt with in the income statement.

(m) Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed annually at each balance sheet date to determine whether they have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset (or cash generating unit where applicable) is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the income statement unless the asset is carried at revalued amounts and the revaluation surplus is recognised in equity in which case the impairment is recognised directly against the revaluation surplus to the extent the impairment loss does not exceed the surplus.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the reversed estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(n) Leases

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments under operating leases are expensed on a straight-line basis over the accounting periods covered by the lease terms.

(o) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(p) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to bring to a condition suitable for its intended use or sale.

(q) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(s) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

(t) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intercompany balances and intercompany transactions are eliminated as part of the consolidation process, except to the extent that such intercompany balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.



4. TURNOVER

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover represents revenue from		
Business solutions development	63,160	40,536
Application software	663	4,970
Network and data security products	1,224	2,957
Sales of distributed products	83,774	40,269
	<hr/> 148,821	<hr/> 88,732

Turnover as disclosed above is net of applicable PRC business tax.

5. SEGMENT INFORMATION

Business segments

For management reporting purpose, business segment information is chosen as the primary reporting format. The principal business segments of the Group comprise the following:

Business application solutions: develop and provide business application solutions services which include business solutions, application software, network and data security products.

Sales of distributed products: distribute computer products and accessories.



5. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

Segment information about these businesses is presented below.

	Business application solutions		Sales of distributed products		Consolidated	
	2003	2002	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Turnover from external customers	65,047	48,463	83,774	40,269	148,821	88,732
Other revenue	1,188	1,138	–	–	1,188	1,138
Total	66,235	49,601	83,774	40,269	150,009	89,870
Unallocated other revenue					9,569	2,653
					159,578	92,523
Results						
Segment results	8,080	12,048	520	(285)	8,600	11,763
Unallocated operating income and expenses					(6,277)	(5,944)
Profit from operations					2,323	5,819
Finance costs					(181)	(262)
Share of profits less losses of associates	(851)	(93)	–	–	(851)	(93)
Taxation					142	(783)
Minority interests					377	(518)
Profit attributable to shareholders					1,810	4,163
Assets						
Segment assets	38,103	24,016	16,486	14,530	54,589	38,546
Interests in associates	27,176	18,201	–	–	27,176	18,201
Unallocated assets					85,122	94,409
Total assets					166,887	151,156
Liabilities						
Segment liabilities	16,741	9,462	16,058	10,027	32,799	19,489
Unallocated liabilities					11,436	10,448
Total liabilities					44,235	29,937
Other segment information						
Capital expenditure incurred during the year	566	542	42	80		
Depreciation	624	354	30	15		
Provision for bad and doubtful debts	30	216	–	–		
Provision for obsolete and slow-moving inventories	550	200	–	–		



5. SEGMENT INFORMATION (cont'd)

Geographical segment

The Group's business and assets are generated from and situated in the PRC. Accordingly, no geographical segment information has been presented.

6. OTHER REVENUE

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Interest income	1,055	266
Dividends from unlisted securities	29	109
Net realised gain on disposal of listed securities	–	371
Government grants (<i>note</i>)	1,399	1,234
Tuition fees	6,972	994
Sundry	1,302	817
	10,757	3,791

Note: The Group obtained government grants in relation to the development of the Group's products.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived after charging/(crediting):

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Auditors' remuneration	612	480
Amortisation of goodwill	46	46
Amortisation of intangible asset	300	300
Cost of inventories recognised as an expense	127,223	64,606
Depreciation	1,006	725
(Gain)/loss on disposal of plant and equipment	(4)	15
Net realised loss on disposal of other investments	1,317	–
Provision for bad and doubtful debts	230	876
Provision for obsolete and slow-moving inventories	550	200
Contributions to retirement benefit scheme (<i>note</i> 28)	912	607
Staff costs (including directors' emoluments and all staff related costs)	13,640	9,693



8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Details of directors' emoluments are as follows:		
Fees	–	–
Salaries and other benefits	–	150
Discretionary bonus	60	–
Contributions to retirement benefit scheme	–	–
	60	150

Except for one executive director received individual emoluments of approximately RMB60,000 (2002: RMB150,000) for the year ended 31 December 2003, none of the other executive directors received any emoluments for the two years ended 31 December 2003.

None of the independent non-executive directors received any emoluments for the two years ended 31 December 2003.

(b) Supervisors' emoluments:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Details of supervisors' emoluments are as follows:		
As supervisors	–	–
As employees		
– Salaries and other benefits	64	68
– Discretionary bonus	20	15
– Contributions to retirement benefit scheme	6	2
	90	85



8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

(b) Supervisors' emoluments: (cont'd)

Except for one supervisor received individual emoluments of approximately RMB90,000 (2002: RMB85,000) for the year ended 31 December 2003, none of the other supervisors received any emoluments for the two years ended 31 December 2003.

(c) Five highest paid individuals:

No (2002: one) director, details of whose emoluments are also set out in the directors' emoluments above, was included in the five individuals whose emoluments were the highest in the Group for the year. For the year ended 31 December 2003, details of the remuneration of the five highest paid individuals are as follows:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Salaries and other benefits	623	581
Discretionary bonus	30	40
Contributions to retirement benefit scheme	23	5
	676	626

The emoluments of each of the highest paid individuals for the two years ended 31 December 2003 fell within the band of nil to RMB1,066,000 (equivalent to Hong Kong dollars 1,000,000).

9. FINANCE COSTS

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Interest on bank loan	181	262



10. TAXATION

- (a) The amount of taxation in the consolidated income statement represents:

	2003	2002
	<i>RMB'000</i>	<i>restated</i> <i>RMB'000</i>
Current tax		
– tax for the year	(700)	(912)
– over-provision in respect of prior years	830	33
	130	(879)
Deferred tax credit (note 24)	38	157
Share of taxation attributable to associates	(26)	(61)
Total taxation for the year	142	(783)

According to relevant PRC tax regulations, High and New Technology Enterprises (“HNTE”) operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax (“EIT”) rate of 15%. The Company is recognised as a HNTE and accordingly is subject to EIT at 15%. The recognition as a HNTE is subject to an annual review by the relevant government bodies. The subsidiaries of the Company are subject to applicable EIT rates ranging from 15% to 33% with the exception for Shanghai Withub Information and Professional Training School which is exempted from EIT.

No provision for Hong Kong Profits Tax has been made as the Group’s income neither arises in nor is derived from Hong Kong.



10. TAXATION (cont'd)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2003		2002 <i>restated</i>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	1,291		5,464	
Tax at the statutory tax rate of 33% (2002: 33%)	426	33.0	1,803	33.0
Tax effect of tax benefits of being a HNTE	(417)	(32.3)	(879)	(16.1)
Tax effect of non-deductible expenses	312	24.2	112	2.0
Tax effect of non-taxable revenue	(291)	(22.6)	(311)	(5.7)
Tax effect of unused tax losses not recognised	352	27.3	–	–
Tax effect of non-deductible expenses, non-taxable revenue and/or unused tax losses not recognised for associates, net	306	23.7	91	1.7
Over-provision in prior years	(830)	(64.3)	(33)	(0.6)
Actual tax expense and effective tax rate for the year	(142)	(11.0)	783	14.3

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a net profit of RMB4,681,000 (2002 (restated): RMB3,703,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of earnings per share for the year is based on the profit attributable to shareholders of RMB1,810,000 (2002 (restated): RMB4,163,000) and on the weighted average number of 480,000,000 and 410,630,000 shares in issue for the years ended 31 December 2003 and 2002 respectively.

Diluted earnings per share for the years ended 31 December 2003 and 2002 have not been calculated as there were no dilutive potential shares during the two years ended 31 December 2003.



13. PLANT AND EQUIPMENT

The Group

	Leasehold improve- ments <i>RMB'000</i>	Furniture, and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
Balance at 1 January 2003	271	3,301	1,410	4,982
Additions	405	664	301	1,370
Disposals	–	(46)	(460)	(506)
Balance at 31 December 2003	676	3,919	1,251	5,846
Accumulated depreciation				
Balance at 1 January 2003	–	1,337	895	2,232
Charge for the year	90	690	226	1,006
Eliminated on disposals	–	(32)	(258)	(290)
Balance at 31 December 2003	90	1,995	863	2,948
Net book value				
At 31 December 2003	586	1,924	388	2,898
At 31 December 2002	271	1,964	515	2,750

The Company

Cost				
Balance at 1 January 2003	271	2,404	1,125	3,800
Additions	405	385	301	1,091
Disposals	–	–	(314)	(314)
Balance at 31 December 2003	676	2,789	1,112	4,577
Accumulated depreciation				
Balance at 1 January 2003	–	1,036	750	1,786
Charge for the year	90	499	185	774
Eliminated on disposals	–	–	(162)	(162)
Balance at 31 December 2003	90	1,535	773	2,398
Net book value				
At 31 December 2003	586	1,254	339	2,179
At 31 December 2002	271	1,368	375	2,014



14. INVESTMENTS IN SUBSIDIARIES

	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	5,500	5,500

Particulars of subsidiaries are as follows:

Name of company	Place of incorporation and operation	Registered capital RMB'000	Percentage of equity interest directly attributable to the Company	Principal activities
Shanghai Jiaoda Withub Software Company Limited*	The PRC	5,000	82	Development and sale of business solutions and software
Shanghai Huikang Information Technology Company Limited*	The PRC	1,000	40 (note i)	Development and sale of data security products
Shanghai Withub Information and Professional Training School#	The PRC	1,000	100 (note ii)	Provision of tuition and training services

Notes:

i) Through the endorsement of voting rights to the Company by two minority shareholders, the Company is able to obtain control over more than half of the voting rights in Shanghai Huikang Information Technology Company Limited ("Huikang"). Huikang is accounted for as a 40%-owned subsidiary and consolidated into the Group financial statements.

ii) In 2002, the Company established Shanghai Withub Information Professional Training School (the "School"), a non-profit making entity at a paid-up capital of RMB1,000,000. According to the articles of association of the School and the relevant regulations in the PRC governing educational institutions, all earnings and receipts from the School can only be used to improve its internal facilities and training standard and cannot be used for any other purposes or be distributed to its organiser.

* private limited liability company (domestic joint equity)

private unincorporated entity



14. INVESTMENTS IN SUBSIDIARIES (cont'd)

The condensed balance sheets of the School at 31 December 2003 and 2002 are as follows:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Bank balances	2,743	1,061
Current assets other than bank balances	150	10
	2,893	1,071
Current liabilities	(1,839)	(55)
Net assets	1,054	1,016

15. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Unlisted investments, at cost	–	–	30,313	20,313
Share of net assets	27,176	18,201	–	–
	27,176	18,201	30,313	20,313



Notes to the Financial Statements (cont'd)
For the year ended 31 December 2003

15. INTERESTS IN ASSOCIATES (cont'd)

Particulars of principal associates are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of ownership interest			Principal activities
			Group's effective interest	attributable to the Company	attributable to an associate	
Shanghai Withub Duogao Information Construction Company Limited	Private limited liability company (joint equity)	The PRC	21%	21%	–	Design and installation of intelligent household systems
Shanghai Jiaoda Withub Technology Company Limited	Private limited liability company (joint equity)	The PRC	44.44%	44.44%	–	Development and sale of business solutions
Shanghai Ton Tron Information Technology Company Limited	Private limited liability company (joint equity)	The PRC	32%	32%	–	Development and sale of business solutions and computer accessories
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited	Private limited liability company (joint equity)	The PRC	40%	40%	–	Research and development of high technology products and real estate management
Shanghai Jiaoda Withub Tong Yong Technology Company Limited	Private limited liability company (joint equity)	The PRC	31.11%	–	70%	Development and sale of business solutions



16. INTANGIBLE ASSET

The Group and the Company

	<i>RMB'000</i>
Cost at 1 January 2003 and 31 December 2003	6,000
Accumulated amortisation	
Balance at 1 January 2003	1,350
Amortisation for the year	300
Balance at 31 December 2003	1,650
Net book value	
At 31 December 2003	4,350
At 31 December 2002	4,650

Intangible asset represents an one-off fee paid to Shanghai Jiao Tong University (上海交通大学) in exchange for the use of the name “交大慧谷” and the right to engage the Electronic Information Institute of Shanghai Jiao Tong University to provide research and development support on a cost reimbursement basis.

The total consideration paid for the above contractual rights is RMB6,000,000. The contract term is 10 years and is renewable for a further term of 10 years at the discretion of the Company.



17. GOODWILL

	<i>RMB'000</i>
Cost at 1 January 2003 and 31 December 2003	230
Accumulated amortisation	
Balance at 1 January 2003	104
Amortisation for the year	46
Balance at 31 December 2003	150
Net book value	
At 31 December 2003	80
At 31 December 2002	126

18. OTHER NON-CURRENT ASSET

At balance sheet date, other non-current asset represents a membership fee of RMB150,000 paid to the Shanghai Technology Stock Exchange for the right to trade in technology know-how.

19. INVENTORIES

The Group

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	2,190	1,156
Work in progress	2,037	1,651
Finished goods	936	1,286
Merchandise for resale	7,875	9,354
	13,038	13,447
Provision for obsolete and slow-moving items	(1,245)	(695)
	11,793	12,752

Included in the balance of finished goods and merchandise for resale is an amount of RMB468,000 (2002: RMB447,000) carried at net realisable value.



19. INVENTORIES (cont'd)

The Company

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Raw materials	695	710
Work in progress	573	986
Finished goods	598	599
Merchandise for resale	7,876	9,354
	<hr/> 9,742	<hr/> 11,649
Provision for obsolete and slow-moving items	(1,245)	(695)
	<hr/> 8,497	<hr/> 10,954

Included in the balance of finished goods and merchandise for resale is an amount of RMB468,000 (2002: RMB447,000) carried at net realisable value.

20. OTHER INVESTMENTS

The Group and the Company

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Debt securities		
Listed in the PRC	–	20,903
Equity securities		
Unlisted in the PRC	1,500	1,500
	<hr/> 1,500	<hr/> 22,403
Market value of listed securities	<hr/> –	<hr/> 20,903



21. TRADE DEBTORS

	The Group		The Company	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	29,968	22,783	27,611	19,731
Provision for doubtful debts	(488)	(458)	(445)	(445)
	29,480	22,325	27,166	19,286

The credit terms of the Group and the Company are 30 to 90 days. The aging analyses of trade debtors are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aged:				
0 to 90 days	21,867	16,575	20,338	13,530
91 to 180 days	1,907	3,555	1,572	3,555
181 to 365 days	571	771	188	764
Exceeding 365 days	5,623	1,882	5,513	1,882
	29,968	22,783	27,611	19,731
Provision for doubtful debts	(488)	(458)	(445)	(445)
	29,480	22,325	27,166	19,286

22. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed repayment terms.



23. TRADE CREDITORS AND BILLS PAYABLE

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Aged:				
0 to 90 days	16,146	9,034	15,615	8,555
91 to 180 days	305	41	32	41
181 to 365 days	132	2	22	2
Exceeding 365 days	1,802	502	1,774	502
	18,385	9,579	17,443	9,100

24. DEFERRED TAXATION

The Group and the Company

The components of deferred tax assets recognised in the Group's and the Company's balance sheets and the movements during the year are as follows:

Deferred tax arising from:	Provision for obsolete and slow-moving inventories RMB'000	Provision for doubtful debts RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2002	74	197	190	461
Credited to income statement	30	85	42	157
At 31 December 2002	104	282	232	618
Credited/(charged) to income statement	83	10	(55)	38
At 31 December 2003	187	292	177	656

The Group has not recognised deferred tax assets in respect of unexpired tax losses carried forward by the subsidiaries of RMB3,912,000 (2002: RMB1,715,000).



Notes to the Financial Statements (cont'd)
For the year ended 31 December 2003

25. SHARE CAPITAL

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Registered, issued and fully paid:</i>		
480,000,000 (2002: 480,000,000) shares of RMB0.1 each	48,000	48,000

The Company has conditionally adopted a share option scheme which enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors may, at their discretion but on the basis of their contribution to the development and growth of the Group, make an offer to certain persons to subscribe for the Company's H shares.

During the year, no option was granted by the Company.



26. RESERVES

The Group

2003	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>(note (a))</i>	Statutory reserves <i>RMB'000</i> <i>(note (b))</i>	Retained profits/ (accumulated losses) <i>RMB'000</i> <i>(note (c))</i>	Total <i>RMB'000</i>
At 31 December 2002					
– as previously reported	61,068	16,000	19	(5,092)	71,995
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	618	618
– as restated	61,068	16,000	19	(4,474)	72,613
Net profit for the year	–	–	–	1,810	1,810
Appropriations <i>(note (b))</i>	–	–	204	(204)	–
At 31 December 2003	61,068	16,000	223	(2,868)	74,423
Attributable to:					
The non-profit making subsidiary	–	–	–	54	54
The Company and other subsidiaries	61,068	16,000	223	215	77,506
Associates	–	–	–	(3,137)	(3,137)
At 31 December 2003	61,068	16,000	223	(2,868)	74,423



Notes to the Financial Statements (cont'd)
For the year ended 31 December 2003

26. RESERVES (cont'd)

The Group

2002	Share premium RMB'000	Capital reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Retained profits/ (accumulated losses) RMB'000 (note (c))	Total RMB'000
At 31 December 2001					
– as previously reported	2,300	8,896	–	(9,079)	2,117
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	461	461
– as restated	2,300	8,896	–	(8,618)	2,578
Premium on issue of shares	72,000	–	–	–	72,000
Expenses incurred on issue of shares	(13,232)	–	–	–	(13,232)
Recognition of unrealised gain on consolidation	–	7,104	–	–	7,104
Net profit for the year					
– as previously reported	–	–	–	4,006	4,006
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	157	157
Net profit for the year, as restated	–	–	–	4,163	4,163
Appropriations (note (b))	–	–	19	(19)	–
At 31 December 2002	61,068	16,000	19	(4,474)	72,613
Attributable to:					
The non-profit making subsidiary	–	–	–	16	16
The Company and other subsidiaries	61,068	16,000	19	(2,378)	74,709
Associates	–	–	–	(2,112)	(2,112)
At 31 December 2002	61,068	16,000	19	(4,474)	72,613



26. RESERVES (cont'd)

The Company

2003	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>(note (a))</i>	Statutory reserves <i>RMB'000</i> <i>(note (b))</i>	Retained profits/ (accumulated losses) <i>RMB'000</i> <i>(note (c))</i>	Total <i>RMB'000</i>
At 31 December 2002					
– as previously reported	61,068	16,000	19	(1,071)	76,016
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	618	618
– as restated	61,068	16,000	19	(453)	76,634
Net profit for the year	–	–	–	4,681	4,681
Appropriations <i>(note (b))</i>	–	–	204	(204)	–
At 31 December 2003	61,068	16,000	223	4,024	81,315



Notes to the Financial Statements (cont'd)
For the year ended 31 December 2003

26. RESERVES (cont'd)

The Company

2002	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>(note (a))</i>	Statutory reserves <i>RMB'000</i> <i>(note (b))</i>	Retained profits/ (accumulated losses) <i>RMB'000</i> <i>(note (c))</i>	Total <i>RMB'000</i>
At 31 December 2001					
– as previously reported	2,300	16,000	–	(4,598)	13,702
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	461	461
– as restated	2,300	16,000	–	(4,137)	14,163
Premium on issue of shares	72,000	–	–	–	72,000
Expenses incurred on issue of shares	(13,232)	–	–	–	(13,232)
Net profit for the year					
– as previously reported	–	–	–	3,546	3,546
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	157	157
Net profit for the year, as restated	–	–	–	3,703	3,703
Appropriations <i>(note (b))</i>	–	–	19	(19)	–
At 31 December 2002	61,068	16,000	19	(453)	76,634



26. RESERVES (cont'd)

(a) Capital reserve

The Company, in the early stage of its incorporation, obtained technology know-how from a promoter of the Company, Shanghai Jiao Tong University, at nil consideration. In February 2000, the Company injected this technology know-how, being the Courts Management Information System into Shanghai Jiaoda Withub Technology Company Limited ("Withub Technology"), at a value of RMB16,000,000 in exchange for 44.44% equity interest in Withub Technology. The value of the contributed technology know-how by Shanghai Jiao Tong University was booked in the capital reserve account of the Company.

On consolidation of Withub Technology, unrealised gain of RMB7,104,000 was eliminated to the extent of interest held by the Group.

During the year ended 31 December 2002, the technology know-how was disposed of by Withub Technology. As a result, the unrealised gain was credited back to the capital reserve account.

The capital reserve is non-distributable.

(b) Basis of appropriations to statutory reserves

Statutory reserves comprise statutory common reserve and statutory public welfare fund.

The transfers to statutory common reserve and statutory public welfare fund are based on the net profit under the financial statements prepared using PRC accounting standards.

(i) Statutory common reserve

The PRC Company Law requires the appropriation of 10% of the Company's profit after taxation each year to the statutory common reserve until the balance reaches 50% of the registered share capital. In normal circumstances, the statutory common reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of the statutory common reserve into share capital, the remaining amount of such reserve after capitalisation shall not be less than 25% of the registered share capital.

(ii) Statutory public welfare fund

Pursuant to the PRC Company Law, the Company shall make allocation of 5% to 10% from its profit after taxation to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employees have only the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of shareholder's equity but is non-distributable other than in liquidation.



26. RESERVES (cont'd)

(c) Retained profits/(accumulated losses)

Except for the profits retained in Shanghai Withub Information and Professional Training School which is non-distributable, the reserve available for distribution to shareholders is the lower of the aggregate amount of profit after taxation for the year plus/less retained profits/(accumulated losses) brought forward determined under PRC accounting standards and that determined under accounting principles generally accepted in Hong Kong after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

27. CASH AND CASH EQUIVALENTS

	The Group	
	2003 RMB'000	2002 RMB'000
Cash and bank balances	75,166	58,779
Less: Pledged time deposit	(15,052)	—
Cash and cash equivalents	<u>60,114</u>	<u>58,779</u>

28. RETIREMENT BENEFITS

As stipulated by PRC regulations, the Company and its subsidiaries maintain defined contribution retirement plans for all of its employees. The Group contributes to a state sponsored retirement plan at approximately 22.5% of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. The Group's contributions for the year amounted to approximately RMB912,000 (2002: RMB607,000).

29. LEASE ARRANGEMENTS

The Group leases a number of office premises in the PRC under operating leases.

	2003 RMB'000	2002 RMB'000
	Rentals paid under operating leases	
Land and buildings	<u>1,849</u>	<u>835</u>



29. LEASE ARRANGEMENTS (cont'd)

As at 31 December 2003, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,209	891	269	492
After 1 year but within 5 years	3,549	292	–	–
After 5 years	450	–	–	–
	5,208	1,183	269	492

30. PLEDGE OF ASSETS

At the balance sheet date, the Group and the Company pledged time deposit of approximately RMB15,052,000 (2002: Nil) to a bank to secure credit facilities granted to the Company, which is included in cash and bank balances in the financial statements.

31. CONNECTED AND RELATED PARTY TRANSACTIONS

i) Name and relationship of related parties

Shanghai Jiao Tong University	Shareholder of Shanghai Jiaoda Industrial Investment Management (Group) Limited
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Shareholder of the Company
Shanghai Xin Xuhui (Group) Company Limited	Shareholder of the Company
Shanghai Jiaoda Science and Technology Park Company Limited	Subsidiary of Shanghai Jiao Tong University
Shanghai Jiaoda Science and Technology Park (Shangrao) Company Limited	Subsidiary of Shanghai Jiao Tong University
Shanghai Withub High Technology Industrial Centre	Subsidiary of Shanghai Jiao Tong University
Shanghai Qi Pu Technology Company Limited	Subsidiary of Shanghai Jiao Tong University
Shanghai Jiaoda Industrial Investment Company Limited	Subsidiary of Shanghai Jiao Tong University
Shanghai Jiaoda Onlly Technology Company Limited	Subsidiary of Shanghai Jiao Tong University
Shanghai Jiao Tong University Education (Group) Company Limited	Subsidiary of Shanghai Jiao Tong University



31. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

ii) Significant related party transactions during the year are:

	2003 RMB'000	2002 RMB'000
(a) Project income from related parties		
– Shanghai Jiao Tong University	–	437
– Shanghai Jiaoda Industrial Investment Management (Group) Limited	–	11
– Shanghai Withub High Technology Industrial Centre	60*	–
– Shanghai Jiaoda Science and Technology Park Company Limited	–	1,148
– Shanghai Withub Duogao Information Construction Company Limited	–	769
– Shanghai Ton Tron Information Technology Company Limited	230	80
– Shanghai Qi Pu Technology Company Limited	–	364
– Shanghai Jiaoda Industrial Investment Company Limited	54*	–
– Shanghai Jiaoda Only Technology Company Limited	105*	–
(b) Sale of goods to related parties		
– Shanghai Jiao Tong University	47*	91
– Shanghai Jiaoda Withub Technology Company Limited	–	1,169
– Shanghai Ton Tron Information Technology Company Limited	160	–
(c) Purchase of goods from related parties		
– Shanghai Jiaoda Withub Technology Company Limited	–	2,120
– Shanghai Qi Pu Technology Company Limited	–	812
(d) Consultancy fee charged by Shanghai Jiao Tong University Education (Group) Company Limited	650*	–
(e) Bank loan guaranteed by Shanghai Xin Xuhui (Group) Company Limited	3,000*	3,000



31. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

- (f)* In December 2003, an associate, namely Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited (“Jiaoda S&T Park”), was established jointly by the Company and Shanghai Jiaoda Science & Technology Park (Shangrao) Company Limited (“Shanghai Jiaoda Shangrao”). The registered capital of Jiaoda S&T Park is RMB25,000,000. The Company and Shanghai Jiaoda Shangrao contributed cash amounting to RMB10,000,000 and RMB15,000,000, representing 40% and 60% of Jiaoda S&T Park’s registered capital respectively.

The directors are of the opinion that the above transactions except item (e) were entered into on normal commercial terms and in the ordinary course of the Group’s business.

* These transactions also constitute connected transactions under GEM Listing Rules.

- iii) The amounts due from/to related parties and associates are in trade nature; unsecured, interest-free and repayable on normal commercial terms.

32. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a new and a revised SSAPs issued by the Hong Kong Society of Accountants as follows:

SSAP12 (Revised in August 2002)	Income Taxes
SSAP35 (Issued in March 2002)	Accounting for Government Grants and Disclosure of Government Assistance

(a) SSAP12 Income Taxes

In prior years, deferred tax liabilities were provided on timing differences using the liability method. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences is recognised in the financial statements to the extent that it is probable that a liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with SSAP 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for income taxes as set out in note (3)(e) above. As a result of the adoption of this accounting policy, opening accumulated losses at 1 January 2002 have been decreased by RMB461,000, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The Group’s profit for the year has been increased by RMB38,000 (2002: RMB157,000).

Comparative amounts for 2002 have been restated accordingly.



32. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (cont'd)

(b) SSAP35 Accounting for Government Grants and Disclosure of Government Assistance

With effect from 1 January 2003, in order to comply with SSAP35 issued by the Hong Kong Society of Accounts, the Group adopted a new policy for government grants as set out in note (3)(q) above. The adoption of SSAP35 has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is necessary.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2004.

FIVE-YEAR FINANCIAL SUMMARY



RESULTS

	Year ended 31 December				
	2003 RMB'000	2002 RMB'000	2001 RMB'000	2000 RMB'000	1999 RMB'000
Turnover	148,821	88,732	102,430	36,138	50,080
Profit/(loss) before taxation	1,291	5,464	3,240	(8,193)	(2,717)
Taxation (note 1)	142	(783)	(1,010)	(511)	–
Net profit/(loss) before minority interests	1,433	4,681	2,230	(8,704)	(2,717)
Minority interests	377	(518)	410	1,050	308
Net profit/(loss) for the year	1,810	4,163	2,640	(7,654)	(2,409)
Dividends	–	–	–	1,333	500
Earnings/(loss) per share (in RMB) (note 1)					
– Basic	0.0038	0.0101	0.0081	(0.025)	(0.016)
– Diluted	N/A	N/A	N/A	N/A	N/A

ASSETS AND LIABILITIES

	At 31 December				
	2003 RMB'000	2002 RMB'000	2001 RMB'000	2000 RMB'000	1999 RMB'000
Non-current assets (note 1)	35,310	26,495	16,908	19,620	9,607
Current assets	131,577	124,661	40,529	80,585	76,126
Total assets	166,887	151,156	57,437	100,205	85,733
Current liabilities	44,235	29,937	19,232	70,667	41,673
Minority interests	229	606	88	2,361	792
Total liabilities and minority interests	44,464	30,543	19,320	73,028	42,465
Net assets	122,423	120,613	38,117	27,177	43,268
Share capital	48,000	48,000	36,000	30,000	30,000
Reserves	74,423	72,613	2,117	(2,823)	13,268
	122,423	120,613	38,117	27,177	43,268

Note 1: Hong Kong Statement of Standard Accounting Practice No. 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1 January 2003. In order to comply with this revised statement, the Group adopted a new accounting policy for income taxes in 2003. Figures for the year 2002 have been restated. However, it is not practicable to restate earlier years for comparison purposes.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2003 annual general meeting (“AGM”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) will be held at Conference room, 5th Floor, Tianping Hotel, 185 Tianping Road, Shanghai, the PRC on Friday, 21 May 2004 at 9:00 a.m. for the following purpose:–

1. To consider and approve Report of the Directors for the year 2003;
2. To consider and approve Report of the Supervisory Committee for the year 2003;
3. To consider and approve the audited consolidated financial statements for the year ended 31 December 2003;
4. To consider and approve the dividend distribution proposal for the year 2003;
5. To consider and approve the appropriation to statutory surplus reserve and statutory public welfare fund for the year 2003;
6. To consider and approve the proposal of re-appointing BDO McCabe Lo & Company and BDO Shanghai Zhonghua Certified Public Accountants as the Company’s international and domestic auditors respectively for the year 2004 and authorise the directors of the Company to fix their remuneration;
7. To consider and approve the remuneration proposals for directors and supervisors of the Company for the year 2004 and to authorise the directors of the Company to fix their remuneration; and
8. To consider and approve the following resolution as a special resolution:
 - “(a) THAT subject to the limitation imposed by paragraphs (c) and (d) below and in compliance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Companies Law of the PRC, as well as other applicable laws and regulations, in each case as amended from time to time, the board (“Board”) of directors of the Company be unconditionally authorised to exercise, once or more than once, all the powers of the Company to allot and issue domestic shares (“Domestic Shares”) and/or overseas listed foreign shares (“H Shares”) of the Company during the Relevant Period (as defined below) and in accordance with the terms and conditions determined by the Board. In exercise the power to allot and issue Domestic Shares and/or H Shares, the authority of the Board shall include (but not limited) to the following:
 - (i) to determine the amount of Domestic Shares and/or H Shares to be allotted;
 - (ii) to determine the issue price of the new Domestic Shares and/or H Shares;
 - (iii) to determine the date(s) on which the issue of new Domestic Shares and/or H Shares is/are to be commence and close;
 - (iv) to determined the number of new Domestic Shares and/or H Shares, if applicable, to be issued to the existing holders of Domestic Shares and/or H Shares;
 - (v) to make or grant an offer, agreement and option necessary for the exercise of such powers; and
 - (vi) where prohibited and required by foreign laws or regulations, or by other reasons which in the opinion of the Board are appropriate, the offer of subscription for and issue of shares to holders of H Shares shall exclude shareholders residing in the PRC or the Special Administration Region of Hong Kong or the PRC (“Hong Kong”) or the offer of subscription for and issue of shares to holders of Domestic Shares shall exclude shareholders residing outside the PRC or Hong Kong;



- (b) Upon the exercise of the powers granted to the Board in paragraph (a) the Board may during the Relevant Period (as defined below) make and grant offers, agreements or options which might require the Domestic Shares and/or H Shares in relation to the exercise of such powers may have to be allotted and issued after expiration of the Relevant Period (as defined below);
- (c) the aggregate number of Domestic Shares and H Shares to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or other arrangement) by the Board pursuant to the authority given under paragraph (a) above, excluding any shares allotted pursuant to the Company Law of the PRC and the articles of association of the Company, shall not exceed (i) 20 per cent. of the number of the Domestic Shares in issue; and (ii) 20 per cent. of the number of the H Shares in issue, in each case as at the date of passing this resolution;
- (d) upon exercising the powers mentioned in paragraph (a) above, the Board shall (i) comply with the Company Law of the PRC, other applicable laws and regulations and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (in each case as amended from time to time), and (ii) be approved by the China Securities Regulatory Commission and the relevant authorities of the PRC;
- (e) for the purpose of this resolution, "Relevant Period" means the period from the date upon which this resolution is passed until whichever is the earlier of:
 - (i) the conclusion of the Company's next annual general meeting; or
 - (ii) the date on which the authority given under this resolution is revoked or varied by a special resolution of the Company in general meeting;
- (f) with approval from the relevant authorities and pursuant to the exercise of the powers in paragraph (a) above in accordance with the Company Law of the PRC and other laws and regulations, the Board be authorised to increase the registered capital of the Company, the increased amount of which shall be equal to the corresponding amount of the relevant Domestic Shares and/or H Shares allotted pursuant to the exercise of such powers as mentioned in paragraph (a) above, but the registered capital of the Company shall not exceed 120 per cent. of the amount of registered capital as at the date of passing of this resolution;
- (g) the Board be authorised to make any necessary amendments as it considers appropriate in the articles of association of the Company, so as to reflect changes in the structure of capital of the Company pursuant to the exercise of such powers in paragraph (a) above and in case of issue of new H Shares, subject to the granting by the Listing Committee of the Stock Exchange for listing of and permission to deal in the H Shares in the share capital of the Company proposed to be issued by the Company and the approval by the China Securities Regulatory Commission for the issue of such shares."

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 29 March 2004

Notes:

1. The register of members of the Company will be closed from 16 April 2004 to 21 May 2004 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company at 4:00 p.m. on 15 April 2004 will be entitled to attend and vote at the AGM. In order to qualify for attendance at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:00 p.m. on 15 April 2004.



Notice of Annual General Meeting (cont'd)

2. Any holder of H shares and domestic shares entitled to attend and vote at the AGM convened by the above notice is entitled to appoint in written form one or more proxies to attend and vote at the AGM on his behalf. A proxy needs not be a holder of H shares and domestic shares of the Company.
3. In order to be valid, the voting proxy form for the AGM shall be signed by the appointer or his attorney duly authorised in writing. If the appointer is a legal person, then the form shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. If the form is signed by a person authorised by the appointer, the power of attorney or other document of authority under which the form is signed shall be notarised. In order to be valid, the voting proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney must be delivered to the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.
4. Holders of H shares and domestic shares who intend to attend the AGM should notify in writing of their attendance by sending such to the Company by hand, post or fax on or before 30 April 2004. A failure to return the notice of attendance may result in an adjournment of the AGM, if the number of shares carrying the right to vote represented by the shareholders proposing to attend such meeting by the notice of attendance does not reach more than half of the total number of shares of the Company carrying the right to vote at the meeting.
5. The AGM is expected to take not more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.
6. Principal place of business in the PRC and the contact details of the Company are as follows:
7th Floor, Withub Technology Building, 336 Caoxi Bei Road, Shanghai, the PRC Fax No. (86) (021) 64272140